

# News Release

**Controller of the State of California - Kathleen Connell**

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**FOR IMMEDIATE RELEASE**

## **STATE CONTROLLER FEARS "RIPPLE EFFECT" OF Y2K NON-COMPLIANT COMPANIES**

*Connell Suggests California's Small Businesses Prepare Contingency Plans*

SAN JOSE, CA , January 20, 1999 -- State Controller Kathleen Connell today released a report by her office raising concern that Y2K non-compliance by California's small and medium-sized companies could cause severe negative financial repercussions in the state.

"While many California companies are well on their way to attaining Y2K compliance, we must beware of the weak links, whose failure could have a choking effect on the state's commerce," said Connell, addressing a symposium at Oracle Corporation. "Many California businesses will encounter major disruptions in service due to the non-compliance of their vendors and other entities they depend on. Resulting delays and diminished inventories, coupled with the threat of excessive litigation, could cost the state billions of dollars -- adversely impacting our economy."

Connell noted that surveys suggest that as many as 50 percent of the nation's data processing organizations will not have their software Y2K compliant by 2000. This low level of compliance in many of California's small and medium-size companies could result in lost orders, incorrect billing and accounting, supply chain interruptions and other mishaps, causing a negative "ripple effect" throughout California's economy.

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"Small businesses' internal planning to be Year 2000 compliant will be critical to the state as we try to limit the amount of damage done to California's fiscal condition," said Connell. "Y2K preparedness should be a top priority for all companies, including small businesses. Any company dragging its feet on this issue simply does not understand the magnitude of this universal phenomenon and could subject itself to serious damage, even possible extinction in worst case scenarios."

Connell also stressed the importance of public entities ensuring their own Y2K compliance. "The Controller's Office assessed its exposure to the Year 2000 bug. We've met the state's executive order, ahead of schedule, mandating compliance in our mission-critical computer systems. We will continue to test our system's readiness throughout the year and assist business partners in their Y2K preparations."

Connell noted that no enterprise can be completely certain of conducting business as usual when January 1, 2000 arrives. Her report advises companies to assume everything is non-ready until proven otherwise. The success of an entity's survival may well depend on the comprehensiveness of its contingency plan -- an emergency process that describes when the plan should be executed, steps to be taken, and identifies work that must be completed in order for the plan to work. "Companies should be prepared for the worst, and have a triage plan already in place to allocate resources where they are needed first," she added.

The report also raised concern that "opportunistic" litigation may be thrust upon companies that have prepared for Y2K in good faith but, due to factors beyond their control, still experience system failures. The Controller raised the possibility that she may sponsor liability legislation to ensure that innocent California companies will not be vulnerable to runaway litigation despite their best efforts to be Y2K compliant.

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*Full report available at [www.sco.ca.gov](http://www.sco.ca.gov) or call 916-445-2636.*